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## PRESERVE THE DEDUCTION FOR CHARITABLE GIVING

Independent Sector urges Congress to reject proposals to limit the value of deductions for charitable donations. As nonprofit organizations struggle to meet increased demand for services and raise the necessary funds to meet those needs, Congress should seek to encourage all individuals, regardless of income and wealth, to give more to charitable organizations.

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Sources:  
Gallup; IRS; Network for Good; Gerald E. Auten, et al - American Economic Review; Martin Feldstein – Charitable Deduction

### Background

For nearly a century, since the Revenue Act of 1917 first created the charitable income tax deduction, our nation's tax system has strongly encouraged Americans to give back to their communities by providing tax deductions for contributions to charitable organizations.

These policies helped fuel a strong tradition of giving that has strengthened our educational system, broadened access to health and human services, fostered an appreciation for our history and cultural heritage, advanced scientific and medical research, and supported a variety of other programs vital to the health of our nation and communities around the world.

### The Charitable Deduction Is Fair

Unlike other tax incentives, the charitable deduction encourages behavior for which taxpayers receive no personal tangible benefit. This deduction is a means of enriching communities, rather than individual taxpayers. Limiting the deduction would not make the tax code more equitable.

### The Charitable Deduction Is Cost-Effective

When an individual in the highest tax bracket donates \$1,000 to charity, the government foregoes \$350 in tax revenue, but communities benefit from the entire \$1,000 gift. The government is unlikely to find another vehicle that can leverage private spending for community services on a nearly 3-to-1 ratio.

### The Charitable Deduction Enjoys Broad Support

An April 2011 Gallup poll found that 7 in 10 Americans oppose eliminating the charitable deduction, regardless of whether the savings would be used to lower their taxes or reduce the deficit. Even among those Americans who do not claim the deduction, 62 percent are opposed to its elimination.

### The Charitable Deduction Is a Powerful Incentive to Give

While Americans give to charitable organizations for many reasons, studies have shown that tax policy greatly shapes the size and number of charitable donations made by taxpayers.

- Itemizing households accounted for 70 percent of the \$229 billion in charitable donations in 2008; the 2 percent of taxpayers in the top bracket were responsible for 33 percent of all charitable giving that year.
- The power of the incentive can be seen in the timing of charitable giving, with more than 20 percent of annual online charitable donations made on December 30 and 31.
- It has been estimated that, with no deduction for charitable gifts, annual giving would drop by 25 to 36 percent, and the proposed cap could cost charities as much as \$7 billion a year in contributions.